

Message Text

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SUBJECT: NEW JOINT VENTURE LAW

1. THE LONG AWAITED LAW ON FOREIGN INVESTMENTS WAS PASSED
BY THE NATIONAL ASSEMBLY ON MARCH 30. SIGNIFICANT CHANGES
FROM PREVIOUS LEGISLATION INCLUDE THE FOLLOWING:

A) EQUITY SHARE OF FOREIGN INVESTOR. THIS MAY NOW BE EQUAL TO
THAT OF THE DOMESTIC PARTNER AND WITH SPECIAL APPROVAL MAY
EXCEED 50 PERCENT.

B) ACTIVITIES OF JOINT VENTURE. THESE MAY RELATE TO ANY AREA OF
THE ECONOMY WITH THE EXCEPTION OF INSURANCE, TRADE AND SOCIAL
SERVICES. THE PREVIOUS RESTRICTION ON JOINT VENTURES IN
EXPLORATION, EXTRACTION AND PROCESSING OF MINERALS, GAS AND
OIL HAS BEEN LIFTED. THOUGH NOT SPECIFICALLY MENTIONED IN
LAW, IT IS KNOWN THAT JOINT VENTURES ON HIGHWAYS, BRIDGES,
TUNNELS AND OTHER TRANSPORTATION SERVICES WILL ALSO BE PERMITTED.
FOREIGN INVESTMENT IN BANKING SERVICES IS ALLOWED BUT
GOVERNING REGULATIONS ARE TO BE PROVIDED IN SEPARATE
LEGISLATION. EXCEPTION TO THE PROHIBITION OF A JOINT VENTURE
IN SOCIAL SERVICES CAN BE AUTHORIZED IF IT CONTRIBUTES
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SUBSTANTIALLY TO THE DEVELOPMENT OF THAT BRANCH.

C) REPATRIATION OF EARNINGS AND EQUITY. TRANSFER IS NOW
PERMITTED IN DINARS OR, FOR JOINT VENTURES IN RAW
MATERIALS EXPLOITATION AND AGRICULTURAL PRODUCTION, IN THE PRODUCTS
THEMSELVES. THE FOREIGN PARTNER IS ALSO PERMITTED TO USE DINAR
EARNINGS TO PURCHASE PRODUCTS ON THE YUGOSLAV MARKET OR

INVEST IN OTHER ENTERPRISES. THE LAW PROVIDES FOR A CEILING ON EARNINGS TO BE DETERMINED BY SEVERAL FACTORS INCLUDING THE AVERAGE EARNINGS OF OTHER DOMESTIC AND FOREIGN ENTERPRISES IN THE SAME INDUSTRIAL BRANCH.

D) NONCASH INVESTMENTS. SPECIFIC LIMITATIONS ON THE VALUE OF EQUIPMENT AND KNOW-HOW INVESTED IN THE JOINT VENTURE BY THE FOREIGN PARTNER HAVE BEEN ELIMINATED. THE FOREIGN PARTNER MAY, IN ADDITION TO KNOW-HOW AND EQUIPMENT, OFFER AS EQUITY IN THE JOINT VENTURE RAW MATERIALS, SEMI-FINISHED GOODS, AND INDUSTRIAL PROPERTY RIGHTS.

2. A DETAILED ANALYSIS OF THE LAW WILL FOLLOW SHORTLY. A COPY OF THE LAW IN SERBO-CROATIAN AND AN UNOFFICIAL ENGLISH TRANSLATION ARE BEING FORWARDED.

3. FOR EUR/EE FROMOWITZ, PLEASE PASS USYEC AND EVANS.
EAGLEBURGER

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